

Council on Postsecondary Education
November 5, 2001

Executive Summary

Cross-Cutting Issues

The council last met October 10, at which time it considered the broad building blocks of a postsecondary education budget recommendation for 2002-04: benchmark funding, trust funds, special requests, and capital outlay. Since that time, there have been several new developments.

First, the Consensus Forecasting Group has lowered for the second time its state revenue forecast for the current fiscal year (FY 02) another \$171 million. With other adjustments, this reduced the revenue by a total of \$206 million. This brings the required budget adjustment actions in this fiscal year to \$532 million.

The forecast includes growth (from the *revised* current year revenues) of \$193 million, or 2.9 percent, in FY 03. The forecast includes growth of \$293 million, or 4.1 percent, in FY 04. This means that by the end of the next biennium, Kentucky's revenues are projected to be virtually the same amount as originally forecast for FY 02 when the 2000-02 budget was built.

Governor Patton has continued his strong support of education by declining to cut the education budget in FY 02. The \$206 million pending budget cuts will be met by requiring all agencies of state government to reduce their budgets by an additional 2 percent. Debt refinancing and rescheduling, plus reversion of unspent revenues in various special accounts, will help cover the rest.

Thus, the council considers its budget recommendations for 2002-04 in a time of severe revenue shortage but with the support of a governor who has demonstrated unwavering commitment to the Kentucky Education Reform Act and to postsecondary education reform.

The staff recommends that the council:

- Approve the 2002-04 Operating and Capital Budget Recommendations as presented herein which total \$1,153,537,100 for 2002-03 and \$1,250,040,100 for 2003-04 for the universities, the Kentucky Community and Technical College System, and Lexington Community College; the Strategic Investment and Incentive Trust Funds; and the Council on Postsecondary Education, including the KYVU and KYVL and pass-through programs.
- Establish five priorities for 2002-04:
 - Continue to pay for enrollment and retention increases from 1998 to 2001.
 - Pay for additional enrollment growth and retention increases that occur in the fall of 2002.
 - Continue to create capacity for developing the new economy.
 - Support two equal educational opportunity programs.
 - Maintain full support for need-based financial aid.

(For details, see information beginning on page 19.)

In this time of severely limited revenues, the council staff proposes a postsecondary education budget with five priorities:

- Continue funding for the 18,000 new students who have enrolled since 1998.
- Provide funding for new students in 2002-04.
- Continue to create capacity to participate in the “new economy.”
- Support equal education opportunity programs.
- Support need-based student financial aid programs to the fullest extent provided by statute.

Many other expenditures, including institutional special requests, have considerable merit. But lean budgets require that we choose among good things, some of which we simply cannot do. To take the students already enrolled, to enroll more, and to build capacity for the new economy will cost substantially more than \$100 million by the second year of the next biennium. The staff’s judgment is that these, and a few other relatively low-cost items, are what Kentucky postsecondary education absolutely needs in order to sustain the reform through two lean years. The rest is important but not essential.